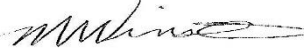


September 15, 2022

MEMORANDUM

To: **Kelvin Moore**, Instructional Director
Cluster 9

Tisa Morgan, Principal
Benjamin Stoddert Middle School

From: **Michele Winston**, CPA, Director 
Internal Audit

Re: Financial Audit for July 1, 2018 through May 31, 2022

An audit of the financial records of Benjamin Stoddert Middle School was conducted for the period July 1, 2018 through May 31, 2022. The exceptions noted in the audit are documented in the attached audit report.

As the principal of the school, you will be responsible for preparing an action plan by **October 17, 2022** indicating steps that will be taken to ensure compliance with the APM. Please note that you are required to provide your action plan using the attached Microsoft word template and any other correspondence to the Internal Audit Office, email address: internal.audit@pgcps.org. A copy of the action plan should be forwarded to Danyelle Washington, Business Analyst, email address: dany.washington@pgcps.org; and Katrina Greene, School Activity Fund Support Specialist, email address: katrina.greene@pgcps.org.

Enc.

cc:

Juanita Miller, Ed. D., Chair, Board of Education
Monica Goldson, Ed. D., Chief Executive Officer
Members, Board of Education
Mychael Dickerson, Chief of Staff
Helen Coley, Ed. D., Chief, School Support and Leadership
David Curry, Ed. D., Associate Superintendent, Area 2
Michael Herbstman, Chief Financial Officer
James Dougherty, CPA, Director, Financial Services
Joeday Newsom, Esq. Director, Board of Education Staff Office
Robin Welsh, Director of Monitoring, Accountability and Compliance
Katrina Green, School Activity Fund Support Specialist
Janice Walters-Semple, CPA, Internal Audit Supervisor
Derrick Martin, Internal Auditor II

Internal Audit Report

Benjamin Stoddert Middle School
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Internal Auditor's Report

We have examined the School Activity Funds (SAF) of Benjamin Stoddert Middle School for the period July 1, 2018 through May 31, 2022. Benjamin Stoddert Middle School's Principal is responsible for the administration of SAF. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Generally Accepted Government Auditing Standards and, accordingly, included examining, on a test basis, evidence supporting SAF, and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Our examination disclosed the following:

- *Administration of Monthly Bank Reconciliations;*
- *Restricted Fund Account Deficits;*
- *Mismanagement of Funds Received; and*
- *End of Year Monetary Transmittal Form Envelope Submission*

Individually or in the aggregate, these findings resulted in a material deviation from the Board of Education's (BOE) Policies and Procedures and the requirements of the Accounting Procedures Manual for School Activity Funds (APM).

In our opinion, except for the deviation from the criteria described in the preceding paragraph, the SAF referred to above, was administered in compliance with BOE policies and procedures and the APM, in all material respects, for the period ended May 31, 2022.



Michele Winston, CPA
Director, Internal Audit

Benjamin Stoddert Middle School
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Internal Audit Report
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SUMMARY

An audit of the school activity funds (SAF) of Benjamin Stoddert Middle School was completed for the period July 1, 2018 through May 31, 2022.

The audit indicated that the school's financial records and procedures require improvement to be in accordance with the Accounting Procedures Manual for School Activity Funds (APM) and Board of Education (BOE) policies and procedures.

The 4 findings included in this audit report occurred under the leadership of the current principal. An appendix identifying the personnel responsible for the findings is included at the end of the audit report. In addition, detailed findings from the current audit are cited on the following pages with accompanying recommendations for corrective action.

OBJECTIVES

The objectives of the audit were to determine the effectiveness of the system of internal controls and whether the school was in compliance with the policies and procedures of the Accounting Procedures Manual (APM) and the Board of Education (BOE). It is important to recognize that, while the audit report focused on deficiencies, it was intended to be constructive. The audit was not designed and conducted to evaluate the effectiveness of the educational programs in the school. Therefore, the absence of comments related to the educational programs should not be construed to imply that these programs are either adequate or deficient.

SCOPE

The audit was based on our review of selected bank statements, financial reports, and available cancelled checks, all voided checks, and Monetary Transmittal Form (MTF) envelopes submitted by staff for the period July 1, 2018 to May 31, 2022. Also, selected receipts, disbursements and supporting documentation were reviewed for the said period.

This is an audit of funds related to students' activities at the school and does not include SOR funds or any funds not derived from students' activities for the audit period.

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FINDINGS AND RECOMMENDATIONS

The audit resulted in the following findings and recommendations:

2023.01 Administration of Monthly Bank Reconciliations

The following exceptions were noted regarding the school's monthly bank reconciliation process:

- There were **5** instances where the recordkeeping staff failed to complete the monthly reconciliation by the 15th of the subsequent period.
- There were **10** instances where the principal did not perform review and approval of the monthly reconciliation as required.

Section 5.1.2 Procedures: *Monthly Reconciliations and Financial Reporting* requires monthly bank reconciliations to be completed by the bookkeeper within 7 days after receiving the statement from the bank. Typically this process should be completed by the 15th of each month. The completed reconciliation should be forwarded to the principal every month for review and approval.

According to the recordkeeping staff and principal, there were major delays in receiving the school's monthly bank statements which has directly impacted the preparation of the bank reconciliations. The principal also stated that monthly reports were submitted for review late which impacted the timeliness of the review. The school has requested electronic access to bank statements. As of the date of this audit report, electronic access has not been obtained.

Failure to complete monthly bank reconciliations could impact the school's timely identification of fraudulent transactions and discrepancies.

Recommendation: The principal should follow up with The Accounting and Financial Reporting Office as well as the Assistant Treasurer's Office to determine the status of the school's request for electronic bank statements. The school should continue to make every effort to get the monthly reports completed timely.

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2023.02 Restricted Fund Account Deficits

The following restricted fund accounts contained deficits which aggregated to approximately **(\$31,530.86)** as of May 31, 2022. Total restricted fund account deficits as of the previous audit (June 30, 2018) was (\$30,909.51)

Account #	Account Name	Account Balance
304.00	6th Grade Account	(\$1,953.47)
306.00	8th Grade Account	(\$3,914.09)
318.00	Future Leaders of America	(\$51.84)
319.00	Girl Mentoring Group	(\$180.06)
420.00	Field Trips	(\$3,360.40)
425.20	Library Books	(\$80.19)
450.10	PSA - Flowers	(\$884.29)
450.20	PSA - Food	(\$3,363.33)
450.30	PSA - Staff Appreciation	(\$2,301.99)
450.40	PSA - Clothing	(\$656.00)
450.50	PSA Transfers In	(\$9,540.87)
460.00	Sales Tax	(\$186.30)
480.00	Yearbook	(\$4,857.25)
506.00	After-School Reading	(\$84.98)
550.10	Guidance Field Trips	(\$115.80)
Total Deficit		(\$31,530.86)

The recordkeeping staff and the principal inherited most of the deficits and reportedly are using all available resources to clear them.

- The Principal Sponsored Activities (PSA) deficits are carryforward amounts that were also noted in the 2 prior audits June 30, 2018 and June 30, 2014 under the former principal's leadership.
- The 8th grade deficit increased because of the payment of outstanding invoices that existed at the close of the previous audit for which funds were not available. Sufficient funds were not available to cover these restricted expenditures because of missing funds of \$35,813.55 that were reported in the previous audit report.
- The tax account deficit increase was a clerical error posted by the principal while the recordkeeping staff position was vacant.

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- The yearbook account deficit increased because pre-ordered yearbooks were not all sold due to covid-19 restrictions.
- The field trip accounts' deficits were noted in the prior audit ended June 30, 2018. This deficit also occurred as a result of the previously reported missing funds.

The following requirements are outlined in the APM to guard against overspending in restricted fund accounts.

- Expenditures for all restricted fund accounts are limited to the amount of funds collected for those activities. However, if restricted accounts exceed the available cash, the account is insolvent. As the fiduciary agent for the SAF, the principal is required to ensure that all accounts are solvent at all times.
- BOE policies and procedures governing the School Funds Expenditure Form, requires the bookkeeper to complete the *funds available* line located in the "Request and Pre-Approval" section of the form to ensure there is sufficient available funding to cover the cost of the requested expenditure.

The students are not receiving the maximum possible benefit of the resources that should have been available to them when unrestricted funds are used to pay for excessive restricted spending. The school is at the risk of insolvency when expenditures exceed available resources.

Recommendation: The principal should continue to review fundraising profits and vending commissions periodically to ensure proper transfers are made to the PSA fund account to assist with the deficit. The principal and recordkeeping staff should contact the Accounting and Financial Reporting Office for guidance in clearing the inherited deficits. Spending from restricted fund accounts with deficits should be discontinued until the fund accounts are solvent.

2023.03 Mismanagement of Funds Received

The following exceptions were noted pertaining to the mismanagement of collections:

- ***Inadequate Support*** – There were **7** instances where the Monetary Transmittal Forms were not properly supported with a bank deposit slip as required by the APM. There were also **2** instances where MTFs did not include documentation to support the amount of the collections.
- ***School Store Concessions*** – There were **7** instances where MTFs for the school's store concession deposits were not accompanied by an inventory list or back up

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sales list to substantiate the deposit. In addition, there were no sales taxes charged for non-fundraiser school store sales.

- ***Delinquent Deposits*** – There were **6** instances where the recordkeeping staff deposited funds in a tardy manner. The delinquency ranged from 6 to 24 days.
- ***Records Management*** – There were **2** instances where documentation to support funds collected in FY 2020 could not be located.

The following instructions are provided in the APM for administering collection:

- **Cash Receipt Support** – “The Bookkeeper completes a bank deposit slip in duplicate, whether manually or in SFO, noting the amount of coins, currency and checks. All checks must be individually listed on the deposit slip with identifying information (e.g., last name and/or check number) to assist in tracing any item in the deposit that may be returned by the bank. The items listed on the deposit slip should be totaled on a calculator and the calculator tape saved as supporting documentation. Both the original and duplicate deposit slip should be taken to the bank to allow the duplicate to be validated. The validated copy is filed at the school with the MTF that supports the deposit. If the school uses a night depository, a triplicate deposit slip is recommended. The original and the duplicate deposit slip will be at the bank with the deposit and the third copy held at the school until receipt of a copy validated by the bank.”
- **Deposits** – The “Bookkeepers must make deposits of all funds received at least every other day. However, no more than \$250 should be kept in the building overnight. If money is kept on-hand at the school awaiting deposit, it must be kept in a secure location.”
- **Inventory List** – The APM states under 9.4, Accounting for School Store activities “The staff member responsible for operating the school store must keep an inventory of all merchandise and account for funds collected on a MTF. The inventory form used should indicate the date items are added to, sold and deleted from inventory, as well as a running balance for each item. Maryland sales tax must be charged on all items costing over 17¢ that meet the criteria specified in 8.3, Sales Tax Procedures.”
- **Records Management** - All SAF records must be retained for a period of 7 years and or until audited, including the current fiscal year. This includes, but is not limited to, financial reports, bank statements, receipts, disbursement authorities,

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Monetary Transmittal Forms, School Funds Expenditure Forms, cancelled checks and contracts.”

The following causes were provided regarding funds received:

Reportedly, the recordkeeping staff did not know that bank slips were mandatory and was not initially involved in the cash receipts process when hired in FY 2020. The recordkeeping staff was trained on SAF Administration 4 months after hire.

The store sponsor was not aware an inventory list for the school store was required. The sponsor was under the impression that the school store was considered a fundraiser hence sales tax was not required.

The recordkeeping staff did not restrict hours for collecting funds, as a result, funds were not remitted promptly to ensure daily deposits. Reportedly, the recordkeeping staff was also inconsistent with making deposits or did not always remember to make deposits timely.

When a bank deposit slip is not included with the MTF, there is no verification that the money was deposited in the school’s account. Missing deposits slips and supporting documentation compromises the audit trail for ensuring funds are properly collected and deposited. When deposits are late, the funds are not readily available to support the students. When there is no accounting for school store activity, it increases the risk for fraud, waste, and abuse.

Recommendation: The record keeping staff must create internal controls to ensure all records are organized and all receipts are properly accounted for. Specifically:

- The recordkeeping staff should ensure all MTFs are accompanied with deposit slips to substantiate the funds deposited.
- The recordkeeping staff should ensure hours for receiving funds are restricted so that deposits are made at least every other day. Staff should be held accountable for compliance.
- When processing concession MTFs for school store sales, the recordkeeping staff should ensure that the sponsoring teacher provides a completed inventory list and that taxes are charged and specified on the MTF.
- The principal should provide oversight to ensure that all collections are documented and supported as required.

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2023.04 End of Year Monetary Transmittal Form Envelopes Submission

The Year-End MTF envelope submission process was not administered as required. The following exceptions pertaining to the Year-End MTF envelope submission process were noted:

- **FY 2021** – The school could not locate staff envelopes containing MTF remittances from FY 2021 because they were mistakenly sent to central office at the end of the school year.
- **FY 2020** – There were **3** instances where both the yellow and pink MTF remittances were not located for review. There were also **21** instances where the pink MTF remittances could not be located for review.

The APM provides the following guidelines regarding the collection of year-end MTF envelopes:

Staff collecting funds are required to complete MTF's and must retain remittance copies. The pink copy of the MTF is required to be retained by the preparer of the form. The white and yellow copy is submitted to the bookkeeper with funds collected. After approving the MTF, the bookkeeper returns the yellow copy to the originator. Prior to departing the school at year-end, staff and program managers are required to submit the pink and yellow copies of the MTFs in a sealed envelope (**with their signature over the seal**) to the designated administrator other than the recordkeeping staff.

The record keeping staff mistakenly sent the end of the year envelopes to the Accounting and Financial Reporting Office when the school submitted their final trimester report for FY 2021. The staff did not follow the principal's instructions during professional development trainings to retain the pink and yellow copies of their MTF remittances during the FY 2020 school year. Failure to retain all pink and yellow MTF remittances removes the evidence to substantiate that all collected funds were subsequently deposited.

Recommendation: The principal should continue to emphasize the importance for adherence to the end of the year MTF envelope submission requirements during professional development at the beginning of the school year. The principal should annually identify the administrator responsible for collecting and storing end of year MTF envelopes. The envelopes should be stored in a location that is not accessible to recordkeeping staff. Staff members must be held accountable for compliance.

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STATUS OF PRIOR AUDIT FINDINGS

The previous audit report for Benjamin Stoddert Middle School was issued for the period ended June 30, 2018. During that period, the principal was in the current position. The current recordkeeping staff's tenure started in September of 2020. The previous audit report included 7 reportable conditions, of which 4 are repeated in the current audit. The following findings were noted as a result of the prior audit and the current status is indicated below:

- **Missing Funds of \$35,813.55 – Controls appear to be working.**
- **Restricted Fund Account Deficits totaling (\$30,909.51) – See Finding 2023.02** regarding *Restricted Fund Account Deficits*.
- **Financial Record Not Retained – See Finding 2023.03** regarding *Mismanagement of Funds Received, Records Management*.
- **Mismanagement of Funds Received – See finding 2023.03** regarding *Mismanagement of Funds Received*.
- **Mismanagement of Disbursements – Controls appear to be working.**
- **Inadequate and Untimely Financial Reporting – See Finding 2023.01** regarding *Administration of Monthly Bank Reconciliations*.
- **Ineffective Management Oversight – The principal has corrected 3 of the 7 previous findings.**

ACKNOWLEDGEMENT

We would like to thank the principal and record keeping staff of Benjamin Stoddert Middle School for their cooperation and assistance during the audit.

**Prince George's County Public Schools
Internal Audit Department
School/Office: Benjamin Stoddert MS
Response Due Date October 17, 2022**

	Findings	Recommendations	Concur Non- Concur Partially Concur	Action Plan	Corrective Action Date	Status Implemented Partially Implemented Not Implemented
1.	<u>2023.01</u> <u>Administration of</u> <u>Monthly Bank</u> <u>Reconciliations</u>	The principal should follow up with The Accounting and Financial Reporting Office as well as the Assistant Treasurer's Office to determine the status of the school's request for electronic bank statements. The school should continue to make every effort to get the monthly reports completed timely.	Concur	1. The Accounting and Financial Reporting Office and the Assistant Treasurer's Office to confirm electronic bank statements 2. Create a regular scheduled meeting with recordkeeping staff inclusive of rolling agenda to assist in maintaining consistency of deadlines for monthly reports		
2.	<u>2023.02</u> <u>Restricted Fund</u> <u>Account Deficits</u>	The principal should continue to review fundraising profits and vending commissions periodically to ensure proper transfers are made to the PSA fund account to assist with the deficit. The principal and recordkeeping staff should contact the Accounting and Financial Reporting Office for guidance in clearing the inherited deficits. Spending from restricted fund accounts	Partially Concur Finding from previous audit ending 6/30/2018	1. Principal hold bookkeeper accountable to the internal controls 2. Create a regular scheduled meeting with recordkeeping staff inclusive of rolling agenda to assist in maintaining consistency record keeping and policies and procedures governing funds 3. All requests for disbursements must be placed on the Request Expenditure Form and		

Principal Signature _____

Date _____

		with deficits should be discontinued until the fund accounts are solvent.		approved by the Principal. 4. Contact the office of Accounting and Financial Reporting about clearing inherited deficits 5. The Bookkeeper must review accounts to identify accounts with available balances with principal bi-weekly. Rolling agenda will be used to track discussed items.		
3.	<u>2023.03</u> <u>Mismanagement</u> <u>of Funds</u> <u>Received</u>	<p>The record keeping staff must create internal controls to ensure all records are organized and all receipts are properly accounted for. Specifically:</p> <ul style="list-style-type: none"> ● The recordkeeping staff should ensure all MTFs are accompanied with deposit slips to substantiate the funds deposited. ● The recordkeeping staff should ensure hours for receiving funds are restricted so that deposits are made at least every other day. Staff should be held accountable for compliance. ● When processing concession MTFs for school store sales, the recordkeeping staff should ensure that the sponsoring teacher provides a completed inventory list and that taxes are charged and specified on the MTF. 	Concur	<p>1. Principal hold bookkeeper accountable to the internal controls</p> <p>2. Create a regular scheduled meeting with record keeping staff inclusive of rolling agenda to assist in maintaining consistency of record keeping and policies and procedures governing funds</p> <p>3. Bookkeeper must prepare monthly bank reconciliations within 7 days of receipt and required financial reports by the 15th of the month for Principal oversight</p>		

Principal Signature _____

Date _____

		<ul style="list-style-type: none"> • The principal should provide oversight to ensure that all collections are documented and supported as required. 				
4.	<u>2023.04 End of Year Monetary Transmittal Form Envelopes Submission</u>	<p>The principal should continue to emphasize the importance for adherence to the end of the year MTF envelope submission requirements during professional development at the beginning of the school year. The principal should annually identify the administrator responsible for collecting and storing end of year MTF envelopes. The envelopes should be stored in a location that is not accessible to recordkeeping staff. Staff members must be held accountable for compliance.</p>	<p>Concur</p>	<ol style="list-style-type: none"> 1. Principal designate an assistant principal to collect signed sealed MTF envelopes from staff that collected money during the year and store in a secure location 2. 		

Principal Signature _____

Date _____